

**ASSEMBLY BILL**

**No. 115**

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**Introduced by Assembly Member Beall**

January 14, 2009

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An act to amend Sections 131502, 131511, 131520, 131521, and 131540 of, and to add Sections 131532 and 131542 to, the Health and Safety Code, relating to health care coverage.

LEGISLATIVE COUNSEL'S DIGEST

AB 115, as introduced, Beall. Adult Health Coverage Expansion Program.

Existing law provides for the creation of the Adult Health Coverage Expansion Program as a pilot program in Santa Clara County to be administered by a local initiative in the county, at the option of the local initiative. The program provides health care coverage to eligible employees, as specified, of a small business, as defined, that participates in the program, not to exceed 5,000 employees in the county unless authorized by the Department of Managed Health Care.

This bill would authorize the local initiative to provide complementary products, as defined, to provide health care services coverage to the spouses or domestic partners or eligible dependent children of program enrollees.

Existing law defines a small business, for purposes of the pilot program, as an entity located in Santa Clara County that employs 50 or fewer persons, with at least 35% of the employees earning less than 350% of the federal poverty level for a family size of one.

This bill would redefine small business as businesses employing 50 or fewer persons, with 25% of their employees earning less than 350% of the federal poverty level.

Existing law requires, for a small business to be eligible for the program, that at least 50% of the employees be eligible for coverage and that at least 50% of those eligible employees must choose to participate.

This bill would make eligible for the program any business where at least 50% of the eligible employees choose to participate.

Existing law requires the local initiative to establish copayment levels and amounts, as specified.

This bill would delete that requirement.

The bill would provide that no General Fund moneys shall be used for purposes of the program or any related complementary products.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. The Legislature finds and declares all of the  
2 following:

3 (a) To facilitate the success of the Adult Health Coverage  
4 Expansion Program (Division 113 (commencing with Section  
5 131500) of the Health and Safety Code, enacted by Chapter 677  
6 of the Statutes of 2007), it would be appropriate to provide health  
7 care coverage products, in addition to those authorized in the  
8 program, to cover spouses, domestic partners, and eligible children  
9 of program enrollees.

10 (b) It is, therefore, the intent of the Legislature in enacting this  
11 act to authorize the creation of a complementary product to be  
12 offered in conjunction with the program, but as a separate product.

13 (c) It is also the intent of the Legislature that any exemptions  
14 from current law stated in Division 113 (commencing with Section  
15 131500) of the Health and Safety Code shall only apply to the  
16 program and products authorized by that division.

17 SEC. 2. Section 131502 of the Health and Safety Code is  
18 amended to read:

19 131502. The following definitions apply for purposes of this  
20 division:

21 (a) “Complementary product” means a health care coverage  
22 plan offered by the local initiative that provides coverage for a  
23 spouse, domestic partner, or eligible dependent children of a  
24 program enrollee.

1 (a)

2 (b) “Local initiative” has the same meaning as set forth in  
3 Section 12693.08 of the Insurance Code.

4 (b)

5 (c) “Program” means the Adult Health Coverage Expansion  
6 Program.

7 (e)

8 (d) “Small business” means an entity located in Santa Clara  
9 County that employs 50 or fewer persons, with at least ~~35~~ 25  
10 percent of the employees earning less than 350 percent of the  
11 federal poverty level ~~for a family size of one~~, and that has not  
12 offered health care coverage to its employees for, at minimum, 12  
13 consecutive months, provided that the provisions of any such prior  
14 coverage required the employer to contribute at least 50 percent  
15 of the total amount of the premium for that coverage. For purposes  
16 of the program authorized by this division, a small business shall  
17 be a “small employer” pursuant to Article 3.1 (commencing with  
18 Section 1357) of Chapter 2.2 of Division 2, subject to the  
19 provisions and exceptions of this division. Notwithstanding the  
20 company affiliation and tax filing provision of paragraph (1) of  
21 subdivision (l) of Section 1357, an individual franchise outlet shall  
22 be considered a small business.

23 SEC. 3. Section 131511 of the Health and Safety Code is  
24 amended to read:

25 131511. (a) In implementing the pilot program established  
26 pursuant to this division, the local initiative in Santa Clara County  
27 *and any complementary product offered, and only this local*  
28 *initiative and complementary product*, shall not be subject to the  
29 requirements of subdivision (a) of Section 1357.03. The program  
30 *and any complementary product offered* shall be otherwise subject  
31 to the requirements of Chapter 2.2 (commencing with Section  
32 1340) of Division 2, including Article 3.1 (commencing with  
33 Section 1357) thereof, except as otherwise provided in this division,  
34 and shall be subject to approval as to regulatory filings with the  
35 Department of Managed Health Care as prescribed in Chapter 2.2  
36 (commencing with Section 1340) of Division 2 and in  
37 implementing regulations promulgated by the department.

38 (b) Except in the case of a late enrollee or for satisfaction of a  
39 preexisting condition clause in the case of initial coverage for an  
40 eligible employee *or eligible dependent*, the local initiative may

1 not exclude any eligible employee *or eligible dependent* who would  
2 otherwise be eligible for health care coverage under this division  
3 on the basis of an actual or expected health care condition. The  
4 local initiative ~~may~~ *shall* not limit or exclude coverage for any  
5 eligible employee *or eligible dependent* by type of illness,  
6 treatment, medical condition, or accident, except for preexisting  
7 conditions as permitted under Section 1357.06.

8 (c) Coverage provided through the program, *or through a*  
9 *complementary product*, to an eligible small business shall be  
10 renewable with respect to all eligible employees *or eligible*  
11 *dependents* at the option of the participating small business, *subject*  
12 *to the local initiative's continued offering of the pilot program*.

13 SEC. 4. Section 131520 of the Health and Safety Code is  
14 amended to read:

15 131520. (a) Notwithstanding subdivision (b) of Section 1357,  
16 only an adult age 19 to 64 years, inclusive, employed by a small  
17 business for a minimum of 20 hours per week is eligible to  
18 participate in the program if he or she has a gross annual income  
19 that is less than 350 percent of the federal poverty level ~~for a family~~  
20 ~~size of one~~, and his or her employer participates in the program.  
21 Dependents, spouses, and domestic partners of employees are not  
22 eligible for the program, *but may be covered by a complementary*  
23 *product*.

24 (b) *Notwithstanding subdivision (b) of Section 1357, a*  
25 *complementary product may contain eligibility requirements that*  
26 *apply only to the spouse, domestic partner, or dependent children*  
27 *of the program enrollee*.

28 (c) *Complementary products are exempt from the uniform*  
29 *participation requirements of subdivision (b) of Section 1357.03*.

30 SEC. 5. Section 131521 of the Health and Safety Code is  
31 amended to read:

32 131521. (a) A small business may apply to the local initiative  
33 that administers the program to obtain coverage for its employees  
34 who meet the requirements of Section 131520.

35 (b) ~~At least 50 percent of the employees of an otherwise eligible~~  
36 ~~small business must meet the eligibility requirements of Section~~  
37 ~~131520, and at least 50 percent of those eligible employees must~~  
38 ~~choose to receive coverage through the program in order for the~~  
39 ~~small business to qualify to participate in the program. A person~~

1 *covered by a complementary product is not an eligible employee*  
2 *for purposes of this section.*

3 SEC. 6. Section 131532 is added to the Health and Safety Code,  
4 to read:

5 131532. The health care services offered in a complementary  
6 product may be, but are not required to be, the same as those  
7 offered in the program.

8 SEC. 7. Section 131540 of the Health and Safety Code is  
9 amended to read:

10 131540. (a) (1) The cost of the health care coverage provided  
11 through the program shall be paid through a combination of  
12 contributions paid by the *participating small-business businesses*,  
13 premiums paid by participating employees, and *any* county, federal,  
14 state, or private sector funding ~~made~~ available for this purpose.

15 (2) The local initiative may determine the amount of the  
16 employer contribution for each participating eligible employee,  
17 which shall not exceed one hundred fifty dollars (\$150) per month,  
18 and the amount of the employee premium, which shall not exceed  
19 seventy-five dollars (\$75) per month. The local initiative may  
20 adjust employer contribution and employee premium levels after  
21 the first year if necessary for changes in health care costs.

22 (3) The local initiative may structure the required employee  
23 premium amounts according to a schedule that takes into account  
24 the individual employee's age or income level, or ~~both, in a manner~~  
25 ~~similar, but not necessarily identical, to that described in Section~~  
26 ~~12693.43 of the Insurance Code, pertaining to the Healthy Families~~  
27 ~~Program both.~~

28 ~~(4) The local initiative shall establish copayment levels and~~  
29 ~~amounts in a manner substantially similar to that described in~~  
30 ~~Section 12693.615 of the Insurance Code, pertaining to the Healthy~~  
31 ~~Families Program.~~

32 (5)

33 (4) For purposes of the program, *the term* "applicable rate  
34 charged for a covered employee" in Section 1366.26 ~~means shall~~  
35 ~~mean~~ the total premium amount paid to the health plan on behalf  
36 of an employee, including amounts paid by the small business on  
37 behalf of the employee, the premium paid by the employee, and  
38 any county, federal, state, or private sector funding, which funding  
39 shall include the value of the ~~discounted rates negotiated pursuant~~  
40 ~~to subdivision (b) hospital-based services provided to enrollees~~

1 *in the program*, as apportioned to the employee. The program shall  
2 submit to the Department of Managed Health Care the procedures  
3 the local initiative will use for purposes of establishing the rates  
4 to be paid by a person eligible for continuation coverage under  
5 Section 1366.26, and the department shall only approve those  
6 procedures if it determines that they are consistent with the  
7 requirements of the Cal-COBRA program.

8 (b) In order to enhance the affordability of coverage offered  
9 through the program to eligible small businesses and employees,  
10 the county and the local initiative shall negotiate discounted rates  
11 for services provided to participants in the program by providers  
12 operated by the county or by providers with whom, or with which,  
13 the county has contracted to provide health care services.

14 (c) *This section shall not apply to complementary products.*

15 SEC. 8. Section 131542 is added to the Health and Safety Code,  
16 to read:

17 131542. Notwithstanding any other provision of law, no  
18 General Fund moneys shall be used for purposes of funding the  
19 program or any related complementary products.